

CHAPTER 5

ADJUSTMENT TRANSACTIONS

A. GENERAL

1. This chapter provides procedures relating to the following types of adjustment actions:

- a. Adjustments caused by catalog change actions.
- b. Reidentification of improperly identified materiel.
- c. Offsetting adjustments to purpose and condition codes.
- d. Discrepancies disclosed by physical inventory.
- e. Ownership gains and losses applicable to SMCA.

2. The DD Form 1487 is designed for use as either a single or dual transaction.

a. The first method accommodates those processing techniques which employ individual increase or decrease adjustment actions against the accountable inventory control records. DD Forms 1487 containing document identifiers in the D8 or D9 series and prepared as outlined in appendix C4 apply to these transactions. When processing DI Codes D8S and D9S, see appendix C6 for alignment and format.

b. The second method provides for offsetting (dual) adjustments to condition or purpose code in a single Materiel Adjustment Document. This is possible by using the FROM and TO data fields in the Materiel Adjustment Document. DD Form 1487 containing DI Code DAC or DAD and prepared as outlined in appendix C9 applies to these transactions. When processing DI Code DAS, see appendix C10 for alignment and format.

c. When Service/Agency practice prescribes the use of single transactions in the DI Code D8 and D9 series internally for condition or purpose transfer, provisions will be made for acceptance and processing of DI Code DAC and DAD documents from other Services/Agencies.

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3. Changes between ownership codes, from purpose code to ownership code, or from ownership code to purpose code **will** not be made by an adjustment action. Appropriate issue and receipt transactions will be processed to make the necessary accounting actions. An exception to this rule is the use of the dual Inventory Adjustment Transaction, **DI Code DAS**, and corresponding single adjustments, **D8S/D9S**, to effect ownership gain/loss under the SMCA concept. (See section C. below.)

4. Changes in project or distribution codes maintained on the inventory control record will be accomplished by utilizing individual increase and decrease materiel adjustment transactions containing appropriate document identifiers in the **D8** and **D9** series.

5. Inventory adjustments, resulting from clerical or mechanical accounting errors but which cannot be corrected by reversing the original transaction, will contain **DI Code D8B** if the adjustment is an increase and **DI Code D9B** if the adjustment is a decrease.

6. Inventory adjustments, for which a specific **DI** code is not otherwise provided, will contain **DI Code D8Z** when the adjustment is an increase and **DI Code D9Z** when the adjustment is a decrease. (Assignor of these codes will maintain detailed backup information as to the use and requirement for the transaction.)

7. Inventory adjustments for losses resulting from shrinkage, theft, contamination, deterioration, and expired shelf-life will contain **DI Code D9G**. Losses resulting from major disasters, fire, enemy action, acts of God, etc., will be identified by **DI Code D9H**.

8. **DI** codes in the **DI Code DB** series (for gains) and **DI Code DC** series (for losses) are to be used for financial adjustments and the transactions will be prepared in accordance with the regulatory procedures prescribed by the Services/Agencies. No formats are **currently** prescribed in the **MILSTRAP** manual.

B. CHANGES IN CONDITION OF MATERIEL

1. Condition Reclassification of Assets in Storage

a. When inspection of stocks on hand reveals that a condition reclassification is required, storage activities **will** report the variance to the **accountable activity/SCA** within 3 calendar days using a **DI Code DAC Inventory Adjustment--Dual**. **Enter** the new supply condition coda in

record position 66 of the dual adjustment. Enter the supply condition code under which the item is carried on the records in record position 71. ^{1/}

b. **When** immediate reclassification of suspect stocks is beyond current capabilities, transfer the materiel to Supply Condition Code J. In the dual adjustment, show the new supply condition code in record position 66. Show the supply condition code under which the item is carried on the record in record position 71.

(1) With the exception of **ammunition**, **complete** the materiel reclassification within 90 calendar **days** after reporting the original transfer to the accountable activity/SCA. **Complete** the reclassification of **ammunition** within 270 calendar **days** after reporting the original transfer.

(2) When the reclassification is **complete**, report the change to the supply source using the dual adjustment transaction. Use the same document number used to report the materiel in Supply Condition Code J. Enter the new supply condition code in record position 66 and Supply Condition **Code J** in record position 71 of the dual adjustment transaction.

2. Reclassification of Condition L Receipts

a. Storage activities will **report** discrepant receipts from **procurement** and materiel held pending resolution of a transportation discrepancy in Supply Condition Code L as prescribed by the chapter 4 receipt processing procedures. **When** directed by the supply source, **storage** activities will also transfer materiel to Supply Condition Code L and report the action using a **dual** adjustment transaction following the **subparagraph B. 1. a. procedures**.

b. Accountable activities are responsible for monitoring materiel suspended in condition L and directing transfer of the materiel to its correct condition when litigation or other action to **resolve** the discrepancy is **completed**.

c. When directed by the accountable activity, storage activities will, within 3 calendar **days** from receipt of the direction,

^{1/} Storage activities may not transfer stored materiel into Supply Condition Code K or R.

reclassify the suspended materiel to its correct condition. Report completion of the action with a DI Code DAC Inventory Adjustment--Dual using the same document originally used to record the materiel in Supply Condition Code L (i. e., the document number of the original receipt or adjustment transaction) . Enter the new supply condition code in column 66 and Supply Condition Code L in record position 71 of the dual adjustment.

3. Reclassification of Condition K and R Receipts

a. In accordance with the chapter 4 receipt processing procedures, storage activities may suspend materiel in Supply Condition Code K upon receipt for condition determination. Storage activities may also receive materiel identified as Supply Condition Code R (suspended) from reclamation activities which & not have the capability to determine the materiel condition.

b. Storage activities will reclassify these suspended receipts to their correct condition within the timeframes prescribed in the following subparagraphs. When materiel has been reclassified to its correct condition, submit a DI Code DAC Inventory Adjustment--Dual to the accountable activity/SCA using the same document number cited in the original receipt transaction. Show the new supply condition code in record position 66 and the suspended supply condition code in record position 71 of the dual adjustment.

(1) With the exception of ammunition, reclassify materiel reported in supply condition code K within 10 calendar days after reporting the receipt; reclassify ammunition within 45 calendar days after reporting the receipt.

(2) When materiel identified as Supply Condition Code R is received from reclamation activities, reclassify the materiel within 180 calendar days after reporting the receipt or prior to induction into maintenance facilities for repair/' fication, whichever is sooner.

(a) When the capability to test/check condition R assets for actual condition does not exist, the materiel may be forwarded to a maintenance facility for condition determination.

(b) The actual condition of the assets must be recorded on the accountable record before the assets may be included in a scheduled maintenance program.

4. Automatic Disposal of Reclassified Stock. When materiel is reclassified to Supply Condition Code H, storage activities may also, based on criteria promulgated by the Services/Agencies, automatically turn condemned and expired shelf-life materiel into reutilization and marketing or take other authorized automatic disposal action. Advise the accountable activity/SCA of such simultaneous reclassification and automatic disposal action by entering Management Code M (materiel condemned--excludes expired shelf -life materiel) or Management Code T (materiel condemned--expired shelf-life materiel) in record position 72 of the dual adjustment transaction.

5. Exceptions to Prescribed Timeframes for Condition Reclassification

a. When additional time is required to reclassify materiel held in Supply Condition Codes J, K, or R, because of large quantities, lack of facilities, nonavailability of personnel and/or test equipment, or other circumstances considered justified by the storage activity Commander, the storage activity will forward an extension request to the accountable activity.

(1) When appropriate, the accountable activity will approve the request for extension, notify the storage activity, and establish a suspense to ensure that classification action is taken within the agreed upon timeframe.

(2) If the accountable activity does not approve the request for extension, the storage activity will make every effort to comply with the established timeframe.

b. Accountable activities may request expedited reclassification of condition J, K, and R assets whenever it is deemed necessary based on their stock position and overall management responsibility.

6. Monitoring Assets Recorded in Suspended Supply Condition Codes

a. Accountable activities will review records for all materiel suspended in Supply Condition Codes J, K, and R at least monthly and ensure that storage activities accomplish reclassification actions within prescribed timeframes.

b. Although there is no prescribed timeframe for transferring suspended materiel from Supply Condition Code L, accountable activities will review all records for materiel suspended in condition L at least

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quarterly and will take necessary action to ensure expeditious litigation/negotiation with contractors or ~~common~~ carriers.

c. OWNERSHIP GAINS AND LOSSES

1. Based on the unique requirements of the SM for Conventional Ammunition and the Military Services, authorized by DoD Directive 5160.65 (reference (d)), separate inventory adjustment transactions **DAS , D8S, and D9S** have been developed to permit:

a. Retaining the integrity of the document number from the requisitioner's original demand throughout total processing, when payback actions are necessary.

b. Online recording and reconciliation of materiel debit and credit balances of the SM and affected Military Services.

c. The Military Services to have an audit trail when their accountable/financial records are affected.

2. The DAS transaction is designed for use as a dual transaction limited to effecting paybacks of SM for conventional ammunition items from one owning Service to another Service, in accordance with current DoD policy and inter-Service agreements. The SM will always initiate the DAS transaction for processing internal adjustments to custodial/accountable records and for notification of SM storage activities. The use of the M modifier in record position 29, to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied intra-Service/Agency and, by agreement, inter-Service/Agency. M modifiers are only applicable to ammunition items in Federal Supply Group 13. The DAS transaction is prepared in the appendix C10 format.

3. The D8S and D9S transactions are designed for use as a single transaction limited to effecting paybacks of SM for conventional ammunition items from one owning Service to another Service, in accordance with current DoD policy and inter-Service agreements. The SM will always initiate the **D8S/D9S** transactions for updating internal custodial/accountable records and for notification to affected Military Services of actions to be accomplished. The use of the M modifier in record position 29, to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied intra-Service/Agency and, by agreement, inter-Service/Agency. M modifiers are only applicable

to ammunition items in Federal Supply Group 13. The D8S and D9S transactions are prepared in the appendix C6 format.

D. PURPOSE TRANSFERS

Based on authorized programs, materiel may be reserved for specific purposes and retained on inventory control records until requisitioned. To effect the transfer of assets between purpose codes, the single inventory adjustment cards, DI Codes D8D and D9D prepared in the format shown in appendix C4, or the dual inventory adjustment transaction, DI Code DAD, prepared in the format shown in appendix C9, will be processed against the inventory control records.

E. INVENTORY GAINS AND LOSSES

Procedures concerned with adjustments due to physical inventory losses or gains are contained in chapter 7.

F. CONDITION CHANGES FOR ITEMS UNDER REPAIR

1. When one Service/Agency is repairing items for another Service/Agency, the repairing Service/Agency may, by mutual agreement, notify the owning ICP of the other Service/Agency of condition changes upon:

a. Induction of items into repair. The owning ICP will be provided with inventory adjustment transactions to indicate transfer of items from Supply Condition Code F (Unserviceable - **Reparable**) to Supply Condition Code M (Suspended (In Work)). These inventory adjustment transactions will be identified by DI Code DAC prepared in the format of appendix C9, or DI Codes D8C and D9C, prepared in the format shown in appendix C4.

b. Completion of Repair Action. The owning ICP will be provided with inventory adjustment transactions to indicate transfer of items from Supply Condition Code M (Suspended (In Work)) to the appropriate, ready for **issue**, condition. These inventory adjustment transactions will be identified by DI Codes DAC or D8C and D9C, as appropriate.

2. When items are being repaired at a maintenance facility, reporting of induction into and return from repair will be accomplished in the following manner:

a. Reporting of induction into repair will be accomplished by submission of inventory adjustment transactions transferring the items from Supply Condition Code F (Unserviceable - **Reparable**) to Supply Condition Code M (Suspended (In Work)). These inventory adjustment transactions will be identified by DI Codes DAC or D8C and D9C, as appropriate.

b. Return of items from repair will be accomplished by submission of inventory adjustment transactions transferring the items from Supply Condition Code M (Suspended (In Work)) to a ready for issue condition. These inventory adjustment transactions will be identified by DI Codes DAC or D8C and D9C, as appropriate.

G. REIDENTIFICATION OF STOCK, STOCK NUMBER CHANGES, AND UNIT OF ISSUE CHANGES

1. Reidentification of Stock

a. When inspection reveals that an item in stock has been misidentified, storage activities will prepare and transmit two or more materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the misidentified stock number, the quantity misidentified, DI Code D9J (Decrease - Reidentification of Stock), and Suffix Code A.

b. When one new stock number is picked up due to reidentification, the second materiel adjustment transaction will contain the same document number as the first transaction, the identified stock number, the quantity of the identified stock number, DI Code D8J (Increase - Reidentification of Stock), and Suffix Code B.

c. When more than one new stock number is picked up due to reidentification, an additional D8J adjustment transaction for each newly identified stock number will be prepared and transmitted. The additional D8J adjustment transaction(s) will be prepared *in* the same manner as the second transaction except that the suffix **codes will** progress to C, D, etc., as each transaction is prepared. The suffix codes in the second and ensuing transactions will serve to correlate the transactions to the misidentified stock number.

d. The SCA/ICP will process the adjustment transactions against accountable inventory control records to effect the decrease under the incorrectly identified stock number and increase(s) against the correct stock number(s) .

2. Stock Number and/or Unit of Issue Changes

a. When only a stock number change occurs, ICPS or SCAS will prepare and process two materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the replaced stock number, DI Code D9K (Decrease - Catalog Data Change), and Suffix Code A. The second transaction will contain the same document number as the first transaction, DI Code D8K (Increase - Catalog Data Change), and Suffix Code B.

b. When only a unit of issue change occurs, ICPS or SCAS will prepare and process two materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the quantity and unit of issue prior to change of unit of issue, DI Code D9K (Decrease - Catalog Data Change), and Suffix Code A. The second materiel adjustment transaction will contain the same document number and stock number as the first transaction, the new unit of issue, the new adjusted quantity based on the new unit of issue, DI Code D8K (Increase Catalog Data Change), and Suffix Code B.

c. When a simultaneous stock number and unit of issue change occurs, ICPS or SCAS will prepare and process two materiel adjustment transactions. The first transaction will contain the replaced stock number and its unit of issue and quantity, DI Code D9K (Decrease - Catalog Data Change), and Suffix Code A. The second materiel adjustment transaction will contain the same document number, the replacing stock number and unit of issue, the adjusted quantity based on the new unit of issue, DI Code D8K (Increase - Catalog Data Change), and Suffix Code B.

H. **CONDITION CHANGES FOR ITEMS BEING REPORTED/TURNED IN TO REUTILIZATION AND MARKETING ACTIVITIES**

1. When materiel is not identified by an NSN and is actually scrap, Services and Agencies may prescribe that it be classified in Supply Condition Code S for turn in to DRMOs. Otherwise, only materiel recorded on accountable records in Supply Condition Codes A through H will be reported or turned in to the DRMO.

2. When excess, serviceable, or unserviceable materiel is classified in Supply Condition Code J, K, L, M, N, P, Q, or R, activities must initiate action to reclassify the materiel to an acceptable supply condition code (A through H or S) before preparing the turn-in document at ion. Section B contains the materiel reclassification procedures.

3. Activities not reporting or turning in materiel to DRMOs in an appropriate supply condition code will risk having the materiel rejected/returned by the DRMO for proper classification.

4. Reutilization and marketing activities will use the appendix B6 disposal condition codes to accurately describe the physical condition of the materiel based on its inspection at time of receipt. Reutilization and marketing activities will record both the supply and the disposal condition code for the materiel and will reflect both codes as management data for reutilization program screening and review. Within the reutilization and marketing process, Disposal Condition Code S is assigned for "materiel that has no value except for its basic materiel content." Consequently, Disposal Condition Code S may be assigned by DRMOs to materiel with or without NSN identification.